

UNCLASSIFIED

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PTQ9537

RELEASED IN PART
B1, 1.4(D), B4, B6PAGE 01 CARACA 00473 01 OF 06 140021Z
ACTION WHA-01

INFO	LOG-00	ACDA-08	ACDE-00	AID-00	ACQ-01	CEA-01	CIAE-00
	CTME-00	DINT-00	DODE-00	SRPP-00	DS-00	EB-00	EXIM-01
	E-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01
	L-01	ADS-00	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01
	PA-00	PM-00	PRS-00	P-00	SP-00	SSO-00	STR-00
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	SAS-00	/021W					

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P 121850Z FEB 99
 FM AMEMBASSY CARACAS
 TO SECSTATE WASHDC PRIORITY 3122
 DOE WASHDC PRIORITY
 INFO USDOC WASHDC
 DEPT TREAS WASHDC
 AMEMBASSY MEXICO
 AMEMBASSY BOGOTA
 AMEMBASSY LIMA
 AMEMBASSY LA PAZ
 AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 01 OF 06 CARACAS 000473

STATE FOR WHA/AND-CAKUETTEH, WHA/EPSC-DHOFSHIRE & DCLIMAN,
 EB/IFD/OMA-JMORANTI, EB/IFD/ODF-JMIOTKE,
 EB/IFD/OIA-GGRiffin, EB/ESC/IEC-MMCMANUS
 TREASURY FOR OASIA/INL-RBAYLY, XAA-HLOUIE
 COMMERCE FOR 4331/IEP/WH/OSA-TWELCH,
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 3134/USFCS/OIO/WH-RLENAHAN & ELENNY
 DOE FOR DPUMPHREY, RGAGEN, AND HSANTIAGO
 DEPT PASS TO FEDERAL RESERVE-JSHAPIRO, SAHMED
 DEPT PASS TO OCC-AMCMAHON
 DEPT PASS TO USTR-KLEZNY, LKUBISKE & BHARMAN
 DEPT PASS TO EXIMBANK-KTINSLEY, MHINCHMAN, FCARRIGER & STHOMPSON
 DEPT PASS TO OPIC-ATHURBER & MBOND
 DEPT PASS TO TDA-AANGULA & JHERRMAN

E.O. 12958: DECL: FEBRUARY 2, 2009
 TAGS: ECON, EPET, ENRG, EFIN, PGOV, PREL, VE
 SUBJECT: SECRETARY OF ENERGY RICHARDSON DISCUSSES INVESTMENT
 ISSUES WITH U.S. CEOS

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: ALAN H FLANIGAN
 CLASSIFICATION: CONFIDENTIAL REASON: 1.4(D)
 DECLASSIFY AFTER: 11 FEB 2019
 DATE/CASE ID: 11 JUL 2007 200504156

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CLASSIFIED BY AMBASSADOR JOHN F. MAISTO. REASON: 1.5 (D).

1. CONFIDENTIAL -- ENTIRE TEXT.

SUMMARY

2. (C) SECRETARY OF ENERGY BILL RICHARDSON MET WITH VENEZUELAN-
[REDACTED] EXECUTIVES AND A WIDE
RANGE OF U.S. CEOS TO DISCUSS INVESTMENT ISSUES AT THE AMBASSADO-
R'S RESIDENCE ON FEBRUARY 2. SECRETARY RICHARDSON BEGAN THE
MEETING BY GIVING [REDACTED]

B1

[REDACTED] ASSISTANT SECRETARY ROMERO ADDED HIS OWN
IMPRESSIONS [REDACTED] SAID CHAVEZ'
INTENTIONS ARE GOOD, BUT HIS METHODS ARE UNCERTAIN, SO IT IS
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STILL TOO EARLY TO FORM A SOLID OPINION OF HIM. [REDACTED]

[REDACTED] SAID CHAVEZ' CABINET IS
FILLED WITH LEFTIST POLITICIANS AND RETIRED MILITARY OFFICERS WHO
PARTICIPATED IN THE 1992 COUP ATTEMPTS AND DOES NOT INSTILL
INVESTOR CONFIDENCE. [REDACTED]

B1

[REDACTED] ADDED THAT THERE IS A GREAT DEAL
OF UNCERTAINTY IN THE COUNTRY.

3. (C) [REDACTED] SAID THEY ARE STILL WAITING
FOR THE CHAVEZ GOVERNMENT TO DEFINE ITS ENERGY POLICY. THEY ALSO
TALKED ABOUT THE NEED FOR "CREDIBILITY, CONSISTENCY AND CLEAR
RULES OF THE ROAD," THE PROBLEM OF UNCERTAINTY IN THE OIL OPEN-
ING, CONTRACTS AND LABOR RELATIONS, AND THE NEED FOR VENEZUELA TO
BE COMPETITIVE IN THE INTERNATIONAL OIL INDUSTRY. [REDACTED]
COMPANY CEO OFFERED A MINORITY VIEW AND EXPRESSED OPTIMISM ABOUT
THE CHAVEZ GOVERNMENT'S GREATER INTEREST IN THE [REDACTED]

B1

[REDACTED] SAID THE MINING SECTOR ALSO HAD PROBLEMS WITH PERMITS, FISCAL
ISSUES, AND THE OUTDATED MINING LAW OF 1943. [REDACTED]

[REDACTED] END SUMMARY

A TIMELY MEETING WITH THE PRIVATE SECTOR

4. (U) SECRETARY OF ENERGY BILL RICHARDSON, HEAD OF THE USDEL
TO THE INAUGURATION OF PRESIDENT CHAVEZ, MET WITH VENEZUELAN-
[REDACTED] EXECUTIVES AND A WIDE
RANGE OF U.S. CORPORATE EXECUTIVES TO DISCUSS ENERGY AND INVEST-

B6

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MENT ISSUES AT THE AMBASSADOR'S RESIDENCE ON FEBRUARY 2. RICH-
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ARDSON WAS ACCCOMPANIED BY THE REST OF THE DELEGATION, INCLUDING WHA ACTING ASSISTANT SECRETARY PETER ROMERO, FORMER U.S. AMBASSADOR TO CHILE GABRIEL GUERRA-MONDRAON, AND FORMER MAYOR OF ALBUQUERQUE, NEW MEXICO, MARTIN CHAVEZ. MEETING PARTICIPANTS INCLUDED

ED

B1

THE AMBASSADOR, DCM, ECONOMIC COUNSOL OFFICER, AND COMMERCIAL ATTACHE WERE ALSO PRESENT. THE MEETING TOOK PLACE IMMEDIATELY AFTER THE INAUGURATION OF PRESIDENT HUGO CHAVEZ AND THE FOCUS OF THE DISCUSSION WAS ON THE POLICIES OF THE NEW GOVERNMENT.

RICHARDSON ON CHAVEZ: HEDGING ON THE DETAILS

5. (C) SECRETARY RICHARDSON BEGAN THE MEETING BY GIVING HIS VIEWS ON

B1

RICHARDSON SAID HE HAD ALSO EMPHASIZED THE IMPORTANCE OF COMPLETING THE BILATERAL INVESTMENT

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	E-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01
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	USIE-00	FMP-00	EPAE-00	PMB-00	DSCC-00	DRL-02	G-00
	SAS-00	/021W					

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P 121850Z FEB 99

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3123

DOE WASHDC PRIORITY

INFO USDOC WASHDC

DEPT TREAS WASHDC

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AMEMBASSY MEXICO
AMEMBASSY BOGOTA
AMEMBASSY LIMA
AMEMBASSY LA PAZ
AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 02 OF 06 CARACAS 000473

STATE FOR WHA/AND-CAKUETTEH, WHA/EPSC-DHOFSHIRE & DCLIMAN,
EB/IFD/OMA-JMORANTI, EB/IFD/ODF-JMIOTKE,
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TREASURY FOR OASIA/INL-RBAYLY, XAA-HLOUIE
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3134/USFCS/OIO/WH-RLENAHAN & ELENNY
DOE FOR DPUMPHREY, RGAGEN, AND HSANTIAGO
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ISSUES WITH U.S. CEOS

TREATY (BIT). [REDACTED]

B1

ROMERO [REDACTED]

6. (C) ASSISTANT SECRETARY ROMERO ADDED HIS OWN IMPRESSIONS OF

B1

[REDACTED] THE CLINTON ADMINISTRATION IS A REFORMIST GOVERNMENT AT
HOME AND ABROAD AND CAN SUPPORT MANY OF THE THINGS THE CHAVEZ
GOVERNMENT WANTS TO ACCOMPLISH. [REDACTED]

[REDACTED] BUT THE VENEZUELAN PEOPLE HAVE SPOKEN
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AND SOME GOOD THINGS CAN COME ABOUT.

B1

[REDACTED] THAT "WE WANT YOU TO SUCCEED." THAT IS HOW THE USG FEELS. LATIN AMERICA IS MOVING FASTER TOWARD REFORM THAN ANY OTHER REGION AT ANY OTHER TIME IN HISTORY. CHAVEZ WANTS TO ENACT THE REFORMS THAT WE WANT TO SEE. IF HE ACCOMPLISHES 50 PERCENT OF WHAT HE SAYS HE WANTS TO DO, THAT IS GOOD.

[REDACTED] CHAVEZ: TOO EARLY TO TELL

7. (C) [REDACTED]

BEGAN BY SAYING,

"WE KNOW WHAT'S COMING, BUT WE DON'T KNOW WHAT'S COMING." HE SAID THE ASSEMBLED EXECUTIVES HAD JUST HEARD AN INTERESTING SPEECH (CHAVEZ' ONE-HOUR, 47-MINUTE INAUGURAL SPEECH). THEY HAD HEARD SOMEONE WHO IS VERY SURE OF HIMSELF, SOMEONE WHO THINKS HE WILL ACCOMPLISH HIS AGENDA WHETHER THE BUSINESS EXECUTIVES LIKE IT OR NOT. [REDACTED] CHAVEZ' ABILITY TO PROMOTE CHANGE IN THE VENEZUELAN POLITICAL SYSTEM. HE SEEMS TO BE SAYING THE RIGHT THING. IN FACT, HIS ECONOMIC AGENDA LOOKS A LOT LIKE THE AGENDAS OF PRESIDENTS PEREZ AND CALDERA. IF THAT IS THE CASE, CONGRESS WILL NOT GIVE HIM THE ENABLING LAW (LEY HABILITANTE) THAT HE HAS ASKED FOR. CHAVEZ SURPRISED HIS LISTENERS BY ANNOUNCING THAT HE WOULD SIGN A DECREE THAT DAY CALLING FOR A REFERENDUM ON THE CONSTITUENT ASSEMBLY. IF THIS MEANS FULL POWERS FOR CHAVEZ FOREVER, THIS WILL BE BAD FOR THE COUNTRY. CHAVEZ' INTENTIONS ARE GOOD, BUT HIS METHODS ARE UNCERTAIN. CONSEQUENTLY, IT IS STILL TOO EARLY TO FORM A SOLID OPINION OF

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B1

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 HIM. (NOTE: CHAVEZ SIGNED THE DECREE LATER THAT DAY, REGAINING THE INITIATIVE WITH THE CONGRESS ON THIS POLEMIC ISSUE. SEE SEPTEL. END NOTE.)

[REDACTED] A FAILURE TO INSTILL INVESTOR CONFIDENCE

8. (C) [REDACTED]

B1

SAID CHAVEZ' CABINET IS FILLED WITH LEFTIST POLITICIANS AND RETIRED MILITARY OFFICERS WHO PARTICIPATED IN THE 1992 COUP ATTEMPTS AND DOES NOT INSTILL INVESTOR CONFIDENCE. THE ONLY TWO EXCEPTIONS ARE MINISTER OF FINANCE MARITZA IZAGUIRRE AND MINISTER OF AGRICULTURE AND LIVESTOCK ALEJANDRO RIERA, AND RIERA IS THE ONLY ONE WITH ENOUGH EXPERIENCE TO EVEN "RUN A SHOE-SHINE SHOP." THE ANNOUNCEMENT THAT IZAGUIRRE'S APPOINTMENT IS ONLY PROVISIONAL

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SIMILARLY FAILS TO INSPIRE CONFIDENCE. (NOTE: SHE DENIES THAT SHE IS PROVISIONAL, SAYING SHE WILL BE ON THE JOB AS LONG AS IT TAKES. END NOTE.) ALL OF THE CABINET MEMBERS ARE ENTIRELY DEPENDENT ON CHAVEZ, WILL DO WHATEVER HE WANTS, AND HAVE NO PERSONALITY OF THEIR OWN. FINALLY, NAMING RETIRED COLONEL HUGO PRIETO AS THE HEAD OF SENIAT, TELLING HIM TO WAGE WAR ON TAX Evasion, AND TALKING ABOUT THROWING PEOPLE IN JAIL FOR FAILURE TO PAY TAXES MAKES BUSINESS PEOPLE NERVOUS. ON THE POSITIVE SIDE,

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	SAS-00	/021W					

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P 121850Z FEB 99
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 3124
DOE WASHDC PRIORITY
INFO USDOC WASHDC
DEPT TREAS WASHDC
AMEMBASSY MEXICO
AMEMBASSY BOGOTA
AMEMBASSY LIMA
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DEPT PASS TO USTR-KLEZNY, LKUBISKE & BHARMAN

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MANY OF THE MILITARY OFFICERS ARE GOOD PEOPLE AND WILL HAVE A LOT TO SAY ABOUT HOW THE GOVERNMENT IS RUN. THEY MAY ACTUALLY DO SOMETHING ABOUT INEFFICIENCY AND CORRUPTION. CHAVEZ ALSO SPEAKS PRIVATELY ABOUT THE NEED TO CLEAN OUT THE CORRUPT UNIONS, ALTHOUGH HE DOES NOT SAY THIS IN PUBLIC.

9. (C) [REDACTED] MINISTER OF INDUSTRY AND COMMERCE GUSTAVO MARQUEZ IS ALREADY TALKING ABOUT THE "IMBALANCE" BETWEEN THE U.S. AND VENEZUELA. HE SAID THIS TYPE OF TALK IS DAMAGING TO THE BILATERAL RELATIONSHIP [REDACTED]

B1

[REDACTED] SAID THE CHAVEZ GOVERNMENT NEEDS TO UNDERSTAND THAT THE BILATERAL INVESTMENT TREATY (BIT) IS MORE IMPORTANT TO VENEZUELA THAN THE U.S. THIS IS BECAUSE INVESTORS ARE UNCERTAIN ABOUT THE OUTCOME OF THE CONSTITUENT ASSEMBLY AND ARE LIKELY TO POSTPONE THEIR INVESTMENTS UNTIL THE NEW CONSTITUTION IS COMPLETE. THE GUARANTEES PROVIDED IN A BIT WILL HELP THEM TO OVERCOME THERE RELUCTANCE TO INVEST.

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CHAVEZ ALSO NEEDS TO UNDERSTAND THAT THE PAYOFF FOR HIM TO TRAVEL TO THE U.S. TO PROMOTE U.S. INVESTMENT IN VENEZUELA IS MUCH GREATER THAN ANY AMOUNT OF TRAVEL TO EUROPE OR LATIN AMERICA. THE MAJORITY OF FOREIGN INVESTMENT IN VENEZUELA IS FROM THE U.S. AND IT WILL CONTINUE TO BE THAT WAY NO MATTER WHAT HE SAYS OR DOES.

ECONOMIC COMMITTEE: THERE IS A GREAT DEAL OF UNCERTAINTY

10. (C) [REDACTED]

B1

[REDACTED] ADDED THAT THERE IS A GREAT DEAL OF UNCERTAINTY IN THE COUNTRY. THE CHAVEZ GOVERNMENT WOULD LIKE TO HAVE THE TAX TREATY RATIFIED BECAUSE IT WILL ALLOW THEM TO REPATRIATE DIVIDENDS FROM PDVSA'S U.S. SUBSIDIARY CITGO. THE CHAVEZ GOVERNMENT WILL ALSO WANT TO SIGN IT TO ENCOURAGE FOREIGN INVESTMENT. NEVERTHELESS, THE CHAVEZ GOVERNMENT FINDS ITSELF CAUGHT IN A CROSS-FIRE BETWEEN WANTING FOREIGN INVESTMENT IN ORDER TO CREATE JOBS AND RESISTING FOREIGN INVESTMENT IN ORDER TO PRESERVE

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NATIONAL SOVEREIGNTY. [REDACTED] BY WARNING THAT THERE IS NO MORE DANGEROUS MOMENT THAN WHEN A SOCIETY TRIES TO REFORM ITSELF.

B1

[REDACTED] WAITING TO SEE THE NEW ENERGY POLICY

B1

11. (C) [REDACTED] SAID THE OIL SECTOR WAS WAITING FOR THE CHAVEZ GOVERNMENT TO DEFINE ITS ENERGY POLICY. "AT THIS POINT IT IS NOT CLEAR," HE SAID,
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BECAUSE THERE ARE STILL MANY UNANSWERED QUESTIONS." IS VENEZUELA GOING INTO GAS AND DOWNSTREAM PETROCHEMICALS DEVELOPMENT? WHAT WILL THE REST OF STATE OIL COMPANY PDVSA'S MANAGEMENT TEAM BE LIKE? WHAT WILL BE THE RELATIONSHIP BETWEEN PDVSA AND THE MINISTRY OF ENERGY AND MINES? [REDACTED] THAT HE KNEW THE JUST-APPOINTED PDVSA PRESIDENT, ROBERTO MANDINI. MANDINI IS A REAL OIL PROFESSIONAL WHO LIKES TO GIVE ORDERS, NOT TAKE THEM. THE NEW MINISTER OF ENERGY AND MINES, FORMER CONGRESSMAN ALI RODRIGUEZ, IS ALSO A MAN WHO DEFINITELY INTENDS TO BE IN CHARGE OF ENERGY POLICY. CONSEQUENTLY, IT WILL BE INTERESTING TO SEE HOW THESE TWO EXECUTIVES WORK TOGETHER. [REDACTED] HE IS ALSO CONCERNED ABOUT THE CONSTITUENT ASSEMBLY. INVESTMENT WILL "STAND ON THE SIDELINES" UNTIL IT IS CLEAR WHAT WILL HAPPEN. THE CHAVEZ GOVERNMENT NEEDS TO UNDERSTAND THE ECONOMIC RISKS INVOLVED IN THIS EXTENDED POLITICAL PROCESS.

B1, B4

[REDACTED] CLEAR RULES OF THE ROAD ARE NEEDED

B1

12. (C) [REDACTED]

[REDACTED] SAID

B1

THE OIL SECTOR NEEDED "CREDIBILITY, CONSISTENCY AND CLEAR RULES

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ACTION WHA-01

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SAS-00	/021W					

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P 121850Z FEB 99
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 TO SECSTATE WASHDC PRIORITY 3125
 DOE WASHDC PRIORITY
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 DEPT TREAS WASHDC
 AMEMBASSY MEXICO
 AMEMBASSY BOGOTA
 AMEMBASSY LIMA
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C O N F I D E N T I A L SECTION 04 OF 06 CARACAS 000473

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OF THE ROAD." OIL COMPANIES [REDACTED] ARE ASKING FOR LOANS
 TO FINANCE LARGE, CAPITAL-INTENSIVE PROJECTS, AND IT IS DIFFICULT
 TO OBTAIN THIS FINANCING WHEN THE GOVERNMENT'S ENERGY POLICY IS
 UNCERTAIN. "CHANGE IS GOOD," HE CONCLUDED, "BUT SOMETIMES
 CONSISTENCY IS BETTER."

B4

[REDACTED] UNCERTAINTY ABOUT CONTRACTS IS DIFFICULT

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13. (C)

VENEZUELA IS WHERE

WOULD LIKE TO GROW. NEVERTHELESS, UNCERTAINTY ABOUT THE OIL OPENING, CONTRACTS, AND LABOR ARE ALL MATTERS OF CONCERN. "WE CAN MANAGE THE TECHNICAL AND PRICE RISKS," HE SAID, "BUT IF YOU ADD UNCERTAINTY ABOUT THE VALIDITY OF OUR CONTRACTS, IT IS VERY DIFFICULT TO HANDLE. LABOR PROBLEMS ADD YET ANOTHER RISK TO

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B4

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DOING BUSINESS IN VENEZUELA."

B4

VENEZUELA NEEDS TO BE COMPETITIVE

B1

14. (C)

SAID VENEZUELA HAS NOW

COMPLETED THE FIRST PHASE OF ITS OIL OPENING. BETWEEN 1992 AND THE END OF THE YEAR 2000, USD 19 BILLION WILL HAVE BEEN INVESTED IN THE COUNTRY. WHAT THE COUNTRY NEEDS IS TO BE COMPETITIVE IN THE INTERNATIONAL OIL INDUSTRY.

B1

OIL PRICES ARE DOWN. LOCAL COSTS ARE RISING AND ARE NOW 40 PERCENT OVER LABOR COSTS IN COLOMBIA. THERE ARE OPPORTUNITIES IN GAS, BUT THERE IS NO MARKET FOR IT. CONSEQUENTLY, VENEZUELA NEEDS TO DEVELOP NEW PROJECTS THAT ALLOW COMPANIES TO MAKE MONEY. INSTEAD, THE CHAVEZ GOVERNMENT IS "COMING UP WITH NEW RULES." THE CHAVEZ GOVERNMENT WANTS TO SEE MORE LOCAL PARTICIPATION IN THE ENERGY SECTOR, BUT THIS IS A CAPITAL INTENSIVE INDUSTRY AND LOCAL COMPANIES DO NOT HAVE THE NECESSARY CAPITAL. MEANWHILE, SAUDI ARABIA IS DEVELOPING AN OIL OPENING OF ITS OWN. "WE ARE HERE TO STAY," HE ARGUED, "BUT WE CAN NOT AFFORD TO STAY IN THE RED FOREVER." "THE CHAVEZ GOVERNMENT THINKS WE ARE JUST POSITIONING OURSELVES TO OBTAIN MORE

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ADVANTAGES," HE SAID, "BUT THAT IS NOT TRUE."

B1

WE SHOULD HELP CHAVEZ SUCCEED

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15. (C) [REDACTED] SAID THAT CHAVEZ' POLITICAL HONEYMOON WILL BE LIMITED TO 6-12 MONTHS. THE EXPECTATIONS OF THE ELECTORATE ARE EXTREMELY HIGH. IT IS NOT CLEAR WHAT TO EXPECT IF HE CAN NOT DELIVER. CHAVEZ IS GENUINE AND SINCERE IN HIS DESIRE TO IMPROVE THE COUNTRY. FOREIGN INVESTORS WILL BENEFIT IF HE SUCCEEDS. CONSEQUENTLY, THEY SHOULD TRY TO HELP HIM SUCCEED.

B1

[REDACTED] OPTIMISM ABOUT DIVERSIFICATION

B1

16. (C) [REDACTED] OFFERED A DISSENTING OPINION. HE SAID [REDACTED] WAS "OPTIMISTIC ON THE GAS, ELECTRICITY AND WATER SECTORS." HOPEFULLY, THE CHAVEZ GOVERNMENT WILL PROMOTE THESE SECTORS, AND NOT JUST THE PETROLEUM SECTOR. (COMMENT: [REDACTED])

IT

B1

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INFO	LOG-00	ACDA-08	ACDE-00	AID-00	ACQ-01	CEA-01	CIAE-00
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	SAS-00	/021W					

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P 121850Z FEB 99
 FM AMEMBASSY CARACAS
 TO SECSTATE WASHDC PRIORITY 3126
 DOE WASHDC PRIORITY
 INFO USDOC WASHDC
 DEPT TREAS WASHDC
 AMEMBASSY MEXICO
 AMEMBASSY BOGOTA
 AMEMBASSY LIMA
 AMEMBASSY LA PAZ
 AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 05 OF 06 CARACAS 000473

STATE FOR WHA/AND-CAKUETTEH, WHA/EPSC-DHOFSHIRE & DCLIMAN,
 EB/IFD/OMA-JMORANTI, EB/IFD/ODF-JMIOTKE,

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EB/IFD/OIA-GGRIFFIN, EB/ESC/IEC-MMCMANUS
TREASURY FOR OASIA/INL-RBAYLY, XAA-HLOUIE
COMMERCE FOR 4331/IEP/WH/OSA-TWELCH,
CONFIDENTIAL

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3134/USFCS/OIO/WH-RLENAHAN & ELENNY
DOE FOR DPUMPHREY, RGAGEN, AND HSANTIAGO
DEPT PASS TO FEDERAL RESERVE-JSHAPIRO, SAHMED
DEPT PASS TO OCC-AMCMAHON
DEPT PASS TO USTR-KLEZNY, LKUBISKE & BHARMAN
DEPT PASS TO EXIMBANK-KTINSLEY, MHINCHMAN, FCARRIGER & STHOMPSON
DEPT PASS TO OPIC-ATHURBER & MBOND
DEPT PASS TO TDA-AANGULA & JHERRMAN

E.O. 12958: DECL: FEBRUARY 2, 2009

TAGS: ECON, EPET, ENRG, EFIN, PGOV, PREL, VE

SUBJECT: SECRETARY OF ENERGY RICHARDSON DISCUSSES INVESTMENT
ISSUES WITH U.S. CEOS

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[REDACTED] END COMMENT.)

[REDACTED] THE WORST THING IN VENEZUELA IS ITS MARXIST PROFESSORS

B1

17. (C) [REDACTED]

[REDACTED] EXPRESSED CONCERN ABOUT THE

ATTITUDE AND THE QUALITY OF CHAVEZ' ECONOMIC CABINET. HE NOTED
THAT MINISTER OF PLANNING JORGE GIORDANI IS SUPPOSED TO BE THE
HEAD OF THE ECONOMIC CABINET. GIORDANI GAVE A LONG INTERVIEW IN
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THE BUSINESS NEWSPAPER ECONOMIA HOY IN WHICH HE WAS ASKED WHAT
WAS THE BEST AND WORST THING ABOUT VENEZUELA. GIORDANI SAID THAT
THE BEST THING WAS ITS PEOPLE AND THAT THE WORST THING WAS ITS
OIL. [REDACTED] ARGUED THAT IT IS DIFFICULT TO SEE HOW THE CHAVEZ
GOVERNMENT IS GOING TO PROMOTE THE DEVELOPMENT OF THE OIL SECTOR
WHEN THE HEAD OF THE ECONOMIC CABINET FEELS THAT WAY ABOUT
VENEZUELA'S MOST VALUABLE NATURAL RESOURCE. [REDACTED] CONCLUDED
THAT THE WORST THING ABOUT VENEZUELA IS REALLY "MARXIST PROFES-
SORS THAT THINK THAT OIL IS BAD." (COMMENT: SOME VENEZUELANS
COMPLAIN THAT VENEZUELA'S DEPENDENCE ON OIL, TO THE DETRIMENT OF
OTHER ECONOMIC ENDEAVORS, HAS HARMED THE COUNTRY. THIS IS A

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MATTER OF ETERNAL DEBATE HERE. END COMMENT.)

MINING SECTOR HAS ADDITIONAL CONCERNS

18. (C)

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[REDACTED] EXPRESSED CONCERN THAT THE FIRST WAVE OF INVESTMENTS IN VENEZUELA'S OIL OPENING WILL DIE UNLESS PROFITABILITY CAN BE RESTORED. THE MINING SECTOR ALSO HAS PROBLEMS WITH PERMITS, FISCAL ISSUES, AND THE OUTDATED MINING LAW OF 1943. GREATER COORDINATION BETWEEN THE MINISTRY OF ENERGY AND MINES AND THE MINISTRY OF ENVIRONMENT IS NEEDED TO FACILITATE THE PERMIT PROCESS. GUARANTEES ON ROYALTY PAYMENTS, INCOME TAXES, AND MUNICIPAL TAXES ARE NECESSARY TO PROTECT COMPANIES FROM ESCALATING TAXES. THE INVESTMENT TAX CREDIT FOR NEW PROJECTS NEEDS TO BE EXTENDED BEFORE IT EXPIRES ON JULY 1, 1999. CHAVEZ IS TALKING ABOUT COLLECTING TAXES, INSTEAD OF PROMOTING INVESTMENT. FINALLY, THE NATIONAL TAX AUTHORITY, SENIAT, HAS TO BE SEEN AS MORE THAN A TAX COLLECTOR; IT MUST ALSO BE SEEN AS AN INSTRUMENT OF CONFIDENTIAL

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INVESTMENT PROMOTION AND DEVELOPMENT POLICY.

THE U.S. IS THE DOMINANT INVESTOR

B1

19. (C)

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[REDACTED] COMPLAINED THAT CHAVEZ IS COUNTING ON INVESTMENT FROM EUROPE AND LATIN AMERICA. NEVERTHELESS, 75 PERCENT OF THE USD 19 BILLION THAT WILL BE INVESTED IN VENEZUELA IS FROM THE U.S., MOST OF WHICH IS IN THE OIL SECTOR. THE ONLY FOREIGN COMPANY INVOLVED IN THE ELECTRICITY SECTOR IS ALSO FROM THE U.S.

20. (C)

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[REDACTED] STATED THAT IT IS UNUSUAL TO HAVE A LATIN AMERICAN HEAD OF STATE TRAVEL TO WASHINGTON, NEW YORK, AND HOUSTON SO EARLY IN HIS ADMINISTRA-

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ACTION WHA-01

INFO	LOG-00	ACDA-08	ACDE-00	AID-00	ACQ-01	CEA-01	CIAE-00
	CTME-00	DINT-00	DODE-00	SRPP-00	DS-00	EB-00	EXIM-01
E-00		FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01
L-01		ADS-00	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01
PA-00		PM-00	PRS-00	P-00	SP-00	SSO-00	STR-00
USIE-00		FMP-00	EPAE-00	PMB-00	DSCC-00	DRL-02	G-00
SAS-00		/021W					

-----A28E67 121857Z /38

P 121850Z FEB 99

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3127

DOE WASHDC PRIORITY

INFO USDOC WASHDC

DEPT TREAS WASHDC

AMEMBASSY MEXICO

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TION. CHAVEZ IN PLANNING TO CONTINUE THOSE PARTS OF THE AGENDA

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NOT COVERED DURING HIS JANUARY 27 VISIT TO WASHINGTON.

[REDACTED] ENCOURAGED THE U.S. COMPANIES PRESENT TO TAKE ADVANTAGE OF THIS OPPORTUNITY TO MEET WITH HIM IN THE U.S. FINALLY, [REDACTED] VENEZUELA'S AMBASSADOR-DESIGNATE TO THE U.S., ALFREDO TORO HARDY, FROM [REDACTED] WHEN TORO HARDY WAS THE VENEZUELAN AMBASSADOR THERE. [REDACTED] SAID THAT TORO HARDY IS VERY CAPABLE AND THAT IT WILL [REDACTED]

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COMMENT:

21. (C) SECRETARY RICHARDSON'S LUNCH WITH THE [REDACTED] EXECUTIVES AND [REDACTED] PROVIDED A TIMELY OPPORTUNITY TO MEASURE THE U.S. PRIVATE SECTOR'S REACTION TO THE FIRST DAY OF THE CHAVEZ CONFIDENTIAL

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GOVERNMENT. THE [REDACTED] EXECUTIVES EXPRESSED UNCERTAINTY ABOUT THE CHAVEZ GOVERNMENT, WHEREAS [REDACTED] EXPRESSED FRUSTRATION ABOUT A RANGE OF SPECIFIC PROBLEMS, MANY OF WHICH HAVE BEEN AROUND SINCE THE BEGINNING OF THE OIL OPENING. LEFT UNSAID WERE THE PROJECTS THAT HAVE BEEN CANCELLED OR POSTPONED DUE TO LOW OIL PRICES AND CONCERNS ABOUT THE NEW GOVERNMENT'S ENERGY POLICY. CHAVEZ MAY BE DOING WELL WITH THE MAN IN THE STREET, BUT HE HAS A WAYS TO GO BEFORE HE WINS THE PRAISES OF MOST, BUT NOT ALL, OF THIS GROUP.

22. (U) SECRETARY RICHARDSON AND AMBASSADOR ROMERO DID NOT HAVE THE OPPORTUNITY TO CLEAR THIS CABLE PRIOR TO THEIR DEPARTURE FROM POST.

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